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(U) CHINA: REVIVED DOMESTIC INSURANCE INDUSTRY BOOMINGSummary

China's domestic insurance industry, shut down for more than 10 years, is growing by leaps and bounds. Revived in 1979, domestic insurance has expanded to include more than 120 kinds of insurance. Premiums of more than 1.13 billion yuan (US\$377 million) were collected during the first seven months of 1985.

Domestic insurance, like foreign insurance, is monopolized by the People's Insurance Company of China (PICC) with more than 2,100 branches and 35,000 employees. PICC has offered foreign insurance since the 1950s, now listing more than 40 kinds including insurance for ocean cargo; aircraft; offshore oil prospecting; nuclear power plants; and property damage, transportation, construction, and installation in joint ventures. PICC also offers insurance against contract failure and political risk.

So far, PICC remains a monopoly company. Although an April 1, 1985, regulation opens the door for the creation of new Chinese insurance companies, apparently none has been established. Foreign insurance companies are prohibited from insuring in China--although PICC makes active use of reinsurance by foreign firms--and it seems unlikely that the insurance market will be opened to foreign carriers in the foreseeable future. According to a recent comment,

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foreign insurers will never be allowed to do business in China, not even in the Special Economic Zones.

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"Home." Property insurance is PICC's main source of domestic business and spans both enterprise and private clients. Of PICC's premiums in the first seven months of 1985, 58 percent--a total of 655 million yuan--derived from property insurance, according to Chinese media reports. Claims during the same period totaled some 361 million yuan. More than 1,340,000 enterprises insure their property, and an astonishing 13.8 million households have taken out property insurance. Premiums for individual property insurance reportedly average about 3.2 yuan per year per 1,000 yuan of coverage.

Life. Life insurance is probably China's fastest growing insurance business, with the number of insured reportedly growing from 2.9 million in 1984 to 3.5 million in June 1985 and more than 5 million by September 1985. This represents a roughly fiftyfold increase in the number of policy-holders since life insurance business was reinstated in 1982 after a 22-year suspension. Premiums, up roughly eightfold over the previous year, totaled 167 million yuan in the first seven months of 1985 while claims amounted to about 5 million yuan, making life insurance one of China's more profitable forms.

Collective workers and the growing number of individual employees are increasingly looking to life insurance to supplement or replace death benefits for survivors which accrue to state employees. Several types of insurance are available, among the most popular being collective (or enterprise) insurance, a kind of group policy for which premiums average between 2 and 7 yuan per month per 1,000 yuan of coverage. More than 2.47 million people, however, now carry individual policies, mostly "simple life" or term insurance. Between 1982 and 1985, PICC took in more than 32 million yuan in "simple life" premiums, with the average policy costing about 1 yuan per month.

Health. Health insurance is still in an experimental stage and few figures are available, but one Guangdong hospital is known to have insured itself against the death of mothers and children during childbirth. With the growing number of employees in collective and individual industries, health insurance is likely to be a growth industry in China in the next few years.

Auto. Even motor vehicles are being insured by PICC, and not all of them are state or collectively owned. Most of the 1 million insured vehicles are government owned--for example, bus companies

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in Jilin, Shandong, Henan, and Hunan are known to have taken out coverage for traffic accidents--but some are also privately owned.

Pension. The growth in collective and individual employment, in affluence, and in geographic mobility and the implications of the "one-child-per-family" policy for after-retirement support are making pension insurance or annuity another growth industry for PICC. Of the more than 30 million workers not covered by state employment benefits, some 1.1 million have already signed up for pension insurance.

Since it first became available in 1982, the annuity program has attracted some 97 million yuan in premiums. Under the plan, workers pay a monthly premium of between 5 and 20 yuan for at least 10 years and draw retirement benefits according to the size of the premium and length of participation.

Farm. Agricultural insurance is another booming business. In 1984, agricultural insurance premiums accounted for about 25 percent of PICC's total premium income. In the first seven months of 1985, premiums totaled about 29 million yuan--up almost fivefold over the same period last year--and insured policy-holders against natural disasters, livestock diseases and accidents, and crop failure. Claims between January and July 1985 totaled 15 million yuan.

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